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8 September 1958 *copies distri.*

TO: Assistant Director for Research and Reports

FROM: Chief, Economic Research Area

SUBJECT: Activity Report for the Month of August 1958

1. Following the discussions with Branch and Division Chiefs held in July, a project was established (Project No. 00.2416) to cover the preparation by all appropriate ERA Branches of Gaps in Information Requirements for priority subjects and areas within their fields of responsibility. This project was discussed further at a meeting on 12 August with representatives of St/I and the DD/P. Reactions of the DD/P representatives generally favored the proposed project. Another meeting with the DD/P will be scheduled to review the first group of statements, to be completed by the end of September. To facilitate the processing of these Requirements through St/I and the field collectors, it has been necessary to establish a quota of 10 Requirements per month for the ERA as a whole. After a few months of experience with the project, an effort will be made to increase the monthly quota, so that all of the ERA's priority needs for information may be covered by these Gaps Requirements as quickly as possible.

2. Recent significant developments in the plans and progress of Communist China make the next NIE on ChiCom Capabilities and Probable Courses of Action (NIE 13-59) one of the most important and difficult ones to which the ERA has had to contribute. In preparation for this NIE, a meeting of Branch and Division Chiefs was held on 5 August to consider (1) criteria for judging the feasibility of China's economic plans and for assessing its performance, and (2) the desirability of scheduling new coordinated branch or area-wide research projects in support of the NIE. As a result of this meeting, each Branch submitted a memorandum to A/F outlining its plans for the NIE contribution.

3. For some time, various members of D/A have been participating, through the EIC Subcommittee on Population and Manpower, in discussions concerning the proposed exchange of census delegations between the U.S. and the USSR. The discussions have now been dropped, since the USSR has indicated that it "sees no benefit" to such an exchange but is willing instead to exchange printed census materials.

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4. The joint State-ORR contribution to the Soviet NIE, involving an economic and political assessment of the Soviet industrial reorganization, was completed during the month. Most of the work on this project was done by ORR. Relationships with the State contributors were amicable, and the amount of time required for coordination the contribution was not unreasonable. It is planned to publish the contribution as a joint product.

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5. During the past 6 months, members of D/A have been discussing with [REDACTED] the feasibility of establishing an external research project to study Soviet prices in relation to costs of production. These talks were recently terminated with the conclusion that [REDACTED] did not have 25X1A5a1 available for this work a person with the right kind of background.

6. The JAEIC Economic Working Group held its first two meetings during August for the purpose of producing a coordinated economic contribution to NIE 11-2-59 The Soviet Atomic Energy Program. Virtually all the research being considered by the group was produced by ORR. The Working Group, under the chairmanship of Chief, D/M, is comprised of representatives of ORR, OSI, the AEC, State and Navy.

7. The Guided Missile Branch has begun to contribute on a regular basis memoranda on current air-to-surface missile activity to the OSI Scientific Intelligence Digest and to the monthly status report of the DD/I Coordinator for Guided Missile Intelligence. The first SID article was not credited to ORR, but a credit line will be requested for future issues.

8. The Guided Missile Branch (D/I) is preparing preliminary cost and production estimates of selected possible Soviet guided missile programs in support of the Net Evaluations Subcommittee of the NSC (Project 37.2414). It appears now that the cost of these programs will be higher than previously estimated, although not beyond USSR capability to meet. I/GM is also preparing a briefing on the problems of collecting intelligence on guided missile production to be given by the Chairman of GMIC to selected members of the NSC.

9. Recent conversations with and inquiries from representatives of AFCIN indicate that the Air Force is becoming increasingly interested in military economic intelligence in general and military costing in particular. This growing interest, which may be the result of a change in command of ACSI, may have implications for the work of the ERA in this field in the future.

10. A recent attache' trip report gives considerable support to the ORR estimate of the capacity of the Trans-Siberian railroad and may cause ACSI (Army) to revise its most recent estimates in this field. If so, they may recommend that a new estimate be prepared by the EIC Subcommittee on Transportation (with ORR participation).

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11. The Trade Controls Branch prepared materials illustrating loopholes in trade controls enforcement, in connection with the preparation of an agenda for a meeting of the COCOM Subcommittee on Export Controls scheduled to be held in Paris during the first week in November.

12. ERA current support for OCI in August largely involved the preparation of articles dealing with the "leap forward" in China, with the upsurge in Bloc logistic support of the UAR, with Satellite mid-year economic reports, and with additional information on the industrial reorganization and the seven-year plan on the USSR. Support for the IAC Watch Committee was unusually extensive because of the critical situations in the Middle East and in the Taiwan Straits. Questionnaires concerning items on the NIC General Indicator List were prepared by various ERA Branches at the request of the Warnings Systems Survey Committee of the IAC, whose Chairman commented very favorably on the ORR submissions.

13. The third in the series of ERA Procedures - concerned with maintenance of the Central Economic Estimates File - was completed during August. In this revision the Estimates File procedures have been simplified and the number of file categories has been considerably reduced, with a view to making the File more readily usable and easier to maintain.

14. In his annual report on the NIS program, the Chairman of the NIS Committee gave the ERA special mention as having observed its schedule of submissions while improving the quality of its contributions; no other producer received such special mention. Considerable time was spent during the month in developing a schedule of NIS production for Fiscal Years 1960-62 and in coordinating the schedule internally and with the military agencies.

15. Because of the great increase in size in recent issues of the EIC Biweekly Report and because of the increased use of graphic materials, a procedure was instituted about 3 months ago to have the Biweekly printed in Que Building rather than in Alexandria. On at least three occasions, last-minute changes requested by the EIC Working Group were incorporated in the Biweekly without delaying the dissemination. If the printing had been done in Alexandria, the same changes would have resulted in at least a day's delay for each issue. Much of the success of the present procedure is due to the cooperation of the OCI Printing Shop -- especially the support rendered by [REDACTED] and [REDACTED].

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